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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 000849

SIPDIS

NEA FOR FRONT OFFICE AND NEA/IPA; PRM FOR PRM/ANE; NSC FOR SHAPIRO/KUMAR; TREASURY FOR MOGER. PLEASE PASS TO USAID FOR ANE/MEA MCCLOUD/BORODIN

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SUBJECT: NEW PA CABINET SECRETARY ON GAZA RECONSTRUCTION PLANS

REF: JERUSALEM 284

Classified By: Acting Principal Officer Greg Marchese for reasons 1.4 (b), (d)

11. (C) Summary: Newly-appointed Palestinian Authority (PA) Cabinet Secretary Hassan Abu-Libdeh said on May 21 that any new programs for Gaza recovery should come as PA initiatives, stressed that the PA's top priority for Gaza is to secure donor funding to support its plan for Gaza, and cautioned that giving the GOI too intrusive a role in Gaza projects will render the projects unworkable. He stressed the importance of opening Gaza's borders for construction and other materials, both to enable reconstruction and to undercut the tunnel industry, which, he claimed, is supplying a steady revenue stream to Hamas. End summary.

PA Must Lead on Gaza

12. (C) Abu-Libdeh told EconOff and USAID Director on May 21 that the PA must play the lead role in proposing any new initiatives for recovery and reconstruction in Gaza. He said that he is working with UN agencies to develop pilot reconstruction projects for Gaza, but had some reservations, noting that any new programs must come at the PA's initiative.

13. (C) Abu-Libdeh served as a senior advisor to PM Salam Fayyad and developed a number of the PA's initiatives for Gaza recovery prior to being named Cabinet Secretary on May 19. He stressed repeatedly that Fayyad's top priority for Gaza is to garner funding to support key elements of the PA's plan (reftel). "Question number one must be 'are there funds,' and, if there are, how much and when will they be available?" said Abu-Libdeh. Success in securing funding, continued Abu-Libdeh, will demonstrate to Gazans that the PA can act effectively in their interests, and also put pressure on the GOI to open Gaza's borders to let reconstruction begin.

14. (C) Abu-Libdeh said that Gazans need to view the PA as their "address" for recovery and reconstruction, and to perceive that "they have a stake" in the PA. He cited some positive signs, including 12,000 calls and messages of support from Gaza after the PA announced its reconstruction program, and 25,000 applications for the PA's home reconstruction program. However, continued Abu-Libdeh, the PA is "getting weaker" in Gaza -- Hamas has "crushed" civil society and is putting more public sector employees on its payroll. The private sector, which could be a counterbalance to Hamas, has been destroyed (and needs an international mechanism to rebuild), he said. "Gaza on food stamps," concluded Abu-Libdeh, "is not what we're looking for."

Loosen the Grip on the Crossings

15. (C) Abu-Libdeh cautioned that any approach that gives Israel "too intrusive" a role in approving projects, work plans, material imports, etc. will not be politically or practically workable. He said it was unacceptable for "the entire international community to allow Israel to dictate every item that can get in." He called on the USG to help to persuade the GOI to "give up some aspects of the closure." Abu-Libdeh said the PA is willing to be "creative on modalities" on delivery and end-use monitoring to guarantee materials do not end up in Hamas' hands. He added that Palestinian contractors who will execute reconstruction contracts will not comply with GOI rules and requirements for fear of being "branded as traitors."

16. (C) Abu-Libdeh said that reconstruction activity must avoid reliance on the tunnel industry. "Don't use one block from the tunnels." He said that Gaza is flooded with commodities coming through the tunnels, and that it is in the GOI's interest to let commodities in via the crossings because it will undercut the tunnel industry that is sustaining Hamas. Abu-Libdeh said that "Hamas is in a better fiscal position than the PA" thanks to tunnel trade revenues.

17. (C) Abu-Libdeh said that he will retain the Gaza portfolio for the time being, but hand it off by the end of June. He stressed that the Gaza portfolio will remain within PM Fayyad's inner circle.

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